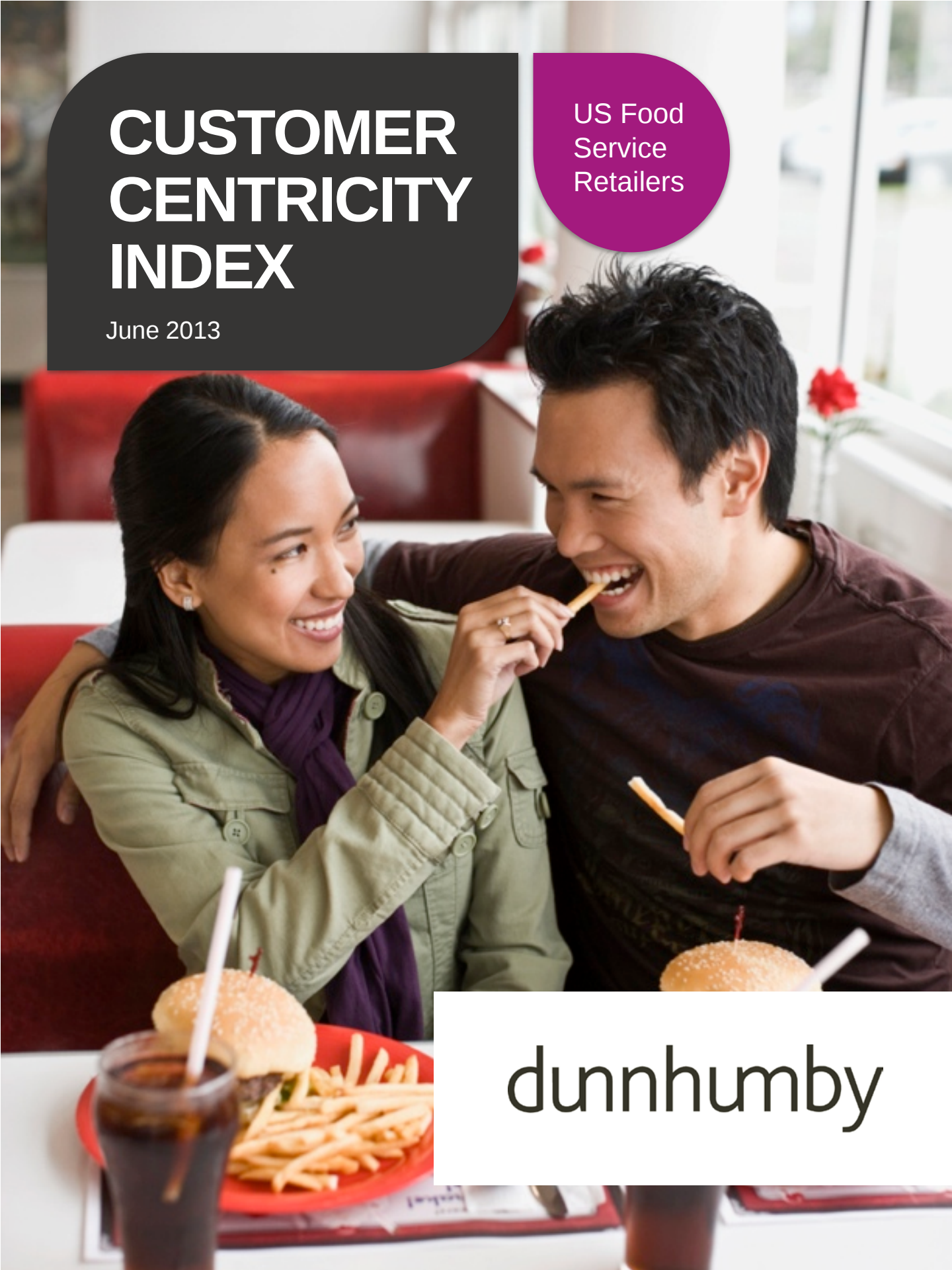


CUSTOMER CENTRICITY INDEX

June 2013

US Food
Service
Retailers

A photograph of a young man and woman sitting at a table in a fast-food restaurant. The woman, on the left, is wearing a green jacket over a purple top and is smiling while holding a french fry up to the man's mouth. The man, on the right, is wearing a dark blue t-shirt and is laughing as he takes the fry. On the table in front of them are two burgers on sesame seed buns, a large portion of french fries on a red tray, and a glass of dark soda with a straw. The background shows a red booth and a window with a red flower decoration.

dunnhumby

ABOUT THE CUSTOMER CENTRICITY INDEX

The dunnhumby Customer Centricity Index (CCI) measures customers' perceptions of how well retailers meet their needs and wants.

This report provides a ranking of the most customer-centric retailers in the food service industry. dunnhumby surveyed customers for their opinions on product assortment, price, experience, feedback, promotions, loyalty and communications. These factors make up the “7 Pillars of Customer Centricity” that dunnhumby has identified as most important to long-term loyal customer growth.

Food service retailers scoring highest within fast food, fast casual and casual dining categories are examined in a series of case studies to illustrate reasons behind their success with customers.

Customer Centricity is key to business growth and this research demonstrates that when customers perceive a company as being “right for them”, it correlates to long-term revenue growth.



IMPORTANCE OF CUSTOMER CENTRICITY

Welcome to the first dunnhumby Customer Centricity Index report.

dunnhumby collects data and insights from consumers around the world to help companies improve loyalty with their best customers. With this knowledge, we created the dunnhumby Customer Centricity Index (CCI) to show retailers how well they are responding to their customers' needs and wants.

Our initial CCI focuses on one of the hardest industries in which to earn loyalty – food service. Compared to other retailers, food service companies face unique challenges in achieving customer centricity:

- The franchise model can make it difficult to provide consistent experiences for customers across all outlets.
- Customer experience is heavily driven by human interaction and since employee turnover is high, constant employee training is necessary.
- With rapidly changing trends and a constant influx of new competitors, achieving loyalty in this industry can be daunting.

All companies strive to focus on customer needs, but many struggle with how to put that idea into action. Only offering low prices or quick service does not make a retailer the brand of choice. Customers have increasingly complex needs and wants, which is only compounded by the growth in social networking, omni-channel communications and point-of-service feedback vehicles.

Even the most customer-centric companies have room for growth to ensure they stay relevant to customers long-term. Each loyal customer, while they may be engaging with a retailer frequently, may also be sharing a portion of their wallet with a competitor. Retailers who put customers at the center of their decisions increase satisfaction and loyalty by focusing on the things customers care about the most.

“Retailers who put customers at the center of their decisions increase satisfaction and loyalty by focusing on the things customers care about the most.”

Research on this topic typically focuses on either customer service or customer satisfaction. The CCI goes much deeper. It provides quantifiable data across the “7 Pillars of Customer Centricity” to represent how well retailers are perceived by their customers.

We believe this report helps retailers understand the factors important for building a lifetime of loyalty with their customers.

Euan White
Senior Vice President, Head of Consumer Markets
dunnhumbyUSA



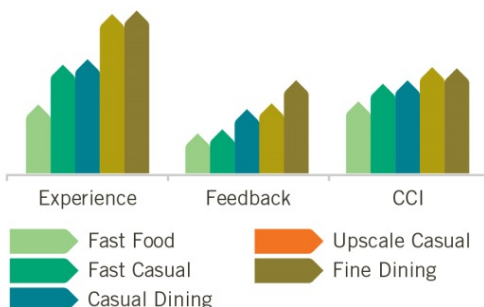
7 PILLARS OF CUSTOMER CENTRICITY

The most customer-centric companies excel in 7 key areas

Being customer centric does not mean only having strong customer service or good marketing, it requires a fully relevant and personalized customer experience. This includes everything from the way a company markets to their most loyal customers, to having items that best meet customers' needs, to having a pricing strategy tailored to the buying patterns of current customers.

dunnhumby has identified 7 key business areas that are most important to long-term customer satisfaction. We refer these as the "7 Pillars of Customer Centricity." The pillars are assortment, price, experience, feedback, promotions, loyalty and communications.

Insights from scores for each pillar can help a retailer with key business decisions. For example, the graph below shows the performance of five categories of food service against two key customer centricity pillars: experience and feedback. At a category level, both scores rise with the increased level of interaction employees have with customers in more upscale restaurants. However, the case studies highlight examples of companies at all levels who have been able to achieve perceived "greatness" in experience and feedback, regardless of price point.



Defining the 7 Pillars of Customer Centricity

1. Experience

Making the customer experience easy, enjoyable and convenient. High-scoring companies make customers so happy they want to share positive experiences.

2. Loyalty

Rewarding and recognizing customers in a consistent way that is relevant to how they want to be rewarded. High-scoring companies reward customers in the ways that are meaningful to them.

3. Communications

Personalizing the message to customers based upon what they buy and in a way they like. High-scoring companies provide tailored, relevant communications based on customer preferences.

4. Assortment

Having the right products and a strong variety to meet customers needs. High-scoring companies don't have the widest selection of products, just the ones their customers want.

5. Promotions

Leveraging promotions on the items that are most appealing and often purchased by current customers. High-scoring companies promote the products that matter the most to customers.

6. Price

Providing prices that are perceived to be in line with what the customer is looking for on the products they purchase most often. High-scoring companies don't have to be the price leaders, but need to have pricing customers perceive as fair.

7. Feedback

Hearing and recognizing customer concerns. High-scoring companies create a 2-way conversation and emotional connection with their customers.



CUSTOMER CENTRICITY'S IMPACT ON SALES

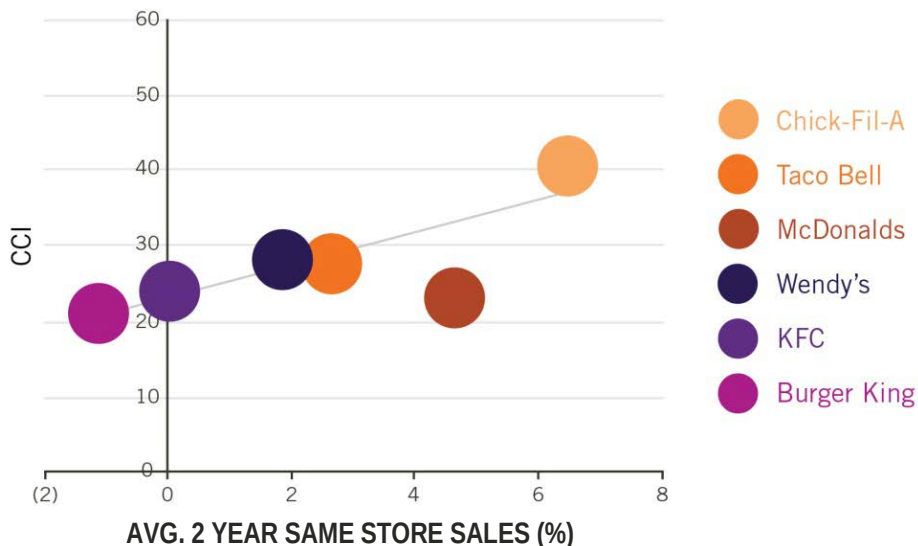
The 7 Pillars of Customer Centricity do more than just help companies think about how to create strategies, adjust operations and plan activities to support the wants and needs of their customers. Thinking with a customer-centric lens also leads to sustainable financial growth.

In our analysis, we looked at the financial growth for key companies in each of the food service categories and correlated the data with their CCI scores. We saw similar, but not surprising results across multiple categories.

Companies with high customer-centric scores have stronger sales growth over the long term. In a social world, opinions about their loyalty can drive sales with other potential customers. If a customer has a positive experience, they are likely to spread positive word of mouth that drives additional loyalty and financial growth.

Highlighted below is an example of the leading companies in the fast food category within food services. In this category, we consistently see that companies with the highest scores lead in 2-year comparable store sales growth.

HIGH CUSTOMER CENTRICITY SCORES CORRELATE TO SALES GROWTH FOR FAST FOOD RESTAURANTS





FOOD SERVICE RETAILER ANALYSIS

Over 100 food service retailers were rated by customers, but only the ones receiving responses above our threshold are included in this report. Companies analyzed, but not included due to sample size requirements are listed on page 10. To better understand the relationship between comparable competitive sets, the food service industry was divided into three categories: casual dining, fast casual and fast food.

The data shows that the wants and needs of the customer are consistent across the food service industry. Loyalty is critical even in the absence of loyalty programs and assortment requires a mix between quality and variety.

Pricing is important across all companies, regardless of price point. Pricing is also more heavily tied to perceived value. Furthermore, emotional connection is critical – customers want to feel like they are part of a company's dialogue.

With a few exceptions, casual dining and fast casual restaurants have higher CCI scores than fast food. Both fast casual and casual dining offer higher customer-centric assortment and experiences, while being equal to fast food restaurants in price. Having prices that fall in line with their customers' expectations, while also providing desirable menu options and positive experiences sets fast casual and casual dining restaurants above fast food in overall customer centricity.

TOP SCORING FOOD SERVICE RETAILERS

RANK	RESTAURANT	SECTOR
1	Outback	Casual Dining
2	Panera	Fast Casual
3	Texas Roadhouse	Casual Dining
4	Olive Garden	Casual Dining
5	Chili's	Casual Dining
6	Red Lobster	Casual Dining
7	Chick-Fil-A	Fast Food
8	In 'N Out Burgers	Fast Food
9	Cracker Barrel	Casual Dining
10	Applebees	Casual Dining
11	Cheesecake Factory	Casual Dining
12	Subway	Fast Food
13	Chipotle	Fast Casual

RANK	RESTAURANT	SECTOR
14	IHOP	Casual Dining
15	Jimmy John's	Fast Food
16	Arby's	Fast Food
17	Panda Express	Fast Casual
18	Wendy's	Fast Food
19	Jack in the Box	Fast Food
20	Taco Bell	Fast Food
21	Five Guys	Fast Casual
22	KFC	Fast Food
23	Dairy Queen	Fast Food
24	McDonalds	Fast Food
25	Burger King	Fast Food



CASUAL DINING CASE STUDY

Outback Steakhouse

Outback Steakhouse received the highest overall score in our CCI report. Outback received strong ratings in assortment and feedback, but truly stood apart from the rest of their competitors in their experience rating.

Insights from customer responses point to the quality of the brand experience. Outback's Australian theme provides customers with a unique experience that is seamlessly executed throughout the way they market their brand, the products they serve and the casual atmosphere, reminiscent of the "land down under." Customers think Outback does an excellent job of making them feel like they are immersed in the brand experience.

The CCI experience attributes are most influenced by the interaction customers have with store employees. Servers are known as "Outbackers" and are trained to create a warm, inviting environment and treat customers like guests in "their own home." To create a customer-centric experience, customers should feel a part of the atmosphere the brand creates within the company walls and Outback excels at making this connection.

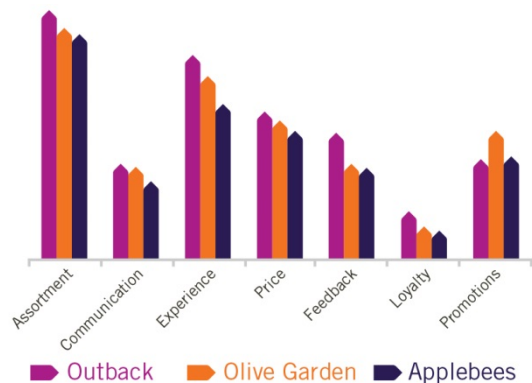
Outback's marketing highlights fun and family. The chain ties marketing promotions to key sporting associations to reinforce these messages. The store atmosphere is created in order to highlight destinations and activities tied to the Outback – boomerangs and all.

The consistent branding, quality customer service and unique atmosphere creates a customer-centric experience that is "no rules, just right" for their loyal customers.

Casual Dining Category Leaders

RANK	RESTAURANT
1	Outback
2	Texas Roadhouse
3	Olive Garden
4	Chilis
5	Red Lobster
6	Cracker Barrel
7	Applebees
8	Cheesecake Factory
9	IHOP

Outback Across the 7 Pillars



To create a customer-centric experience, customers should feel a part of the atmosphere the brand creates within the company walls and Outback excels at making this connection.



FAST CASUAL CASE STUDY

Panera

Fast casual is a fast-growing segment of the restaurant industry. Panera sits at the top of our fast casual rankings, driven by their high scores in loyalty, experience, feedback and assortment.

Customers said Panera makes them feel comfortable and at home. From fireplaces in the seating area to well-designed layouts and soothing colors, they create a warm and inviting environment. Whether customers come in with a laptop to work and enjoy their coffee or they just want to catch up with friends, Panera makes customers feel part of a home-like experience.

In addition to a strong experience, Panera excelled in their loyalty scores. To reward customers for their loyalty, Panera's MyPanera loyalty program is very personalized. Designed to surprise and delight, customers receive unexpected rewards based on what they buy. They also have a lot of flexibility in how and when to use their rewards.

Panera's approach proves that understanding customers and thanking them in a way that meets their needs can build long-term, positive relationships.

Customers described the loyalty program as, "I like the loyalty card where I can earn points for free drinks or meals", "they have good loyalty rewards", and "a strong reward program for my purchasing."

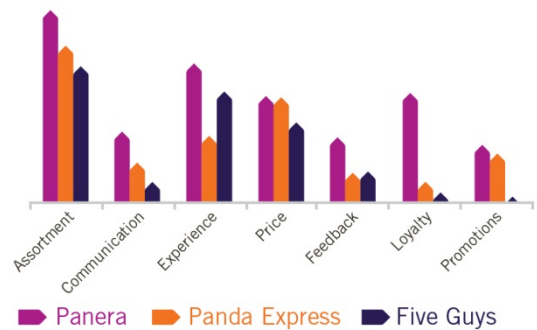
Panera proves that knowing what customers buy and tailoring the rewards to drive their loyalty is key to creating a customer-centric experience.

Fast Casual Category Leaders

RANK RESTAURANT

- | | |
|---|-----------------------------|
| 1 | Panera |
| 2 | Chipotle |
| 3 | Panda Express |
| 4 | Five Guys Burgers and Fries |

Panera Across the 7 Pillars



Knowing what customers buy and tailoring the rewards to drive their loyalty is key to creating a customer-centric experience.



FAST FOOD CASE STUDY

Chick-Fil-A

Our fast food category leader, Chick-Fil-A, outscored all competitors in several pillars, including experience, communication, feedback and assortment.

Chick-Fil-A does not strive to carry every product that may be offered by competitors. Rather, they know their customers come for the chicken and they are focused on giving their customers what they want – high quality and a variety of chicken. “Eat mor chicken” is a key component of how they communicate to their customers. By providing a focused assortment within that space (wraps, sandwiches, soup, nuggets), they do everything they can to help make that happen.

Customers are passionate about Chick-Fil-A and that came through in our research. “The food isn’t anything like you can get anywhere else,” was a common theme heard from customers. For Chick-Fil-A, excelling with a quality product assortment differentiates them from their competitors and drives the way their customers feel about engaging with their brand.

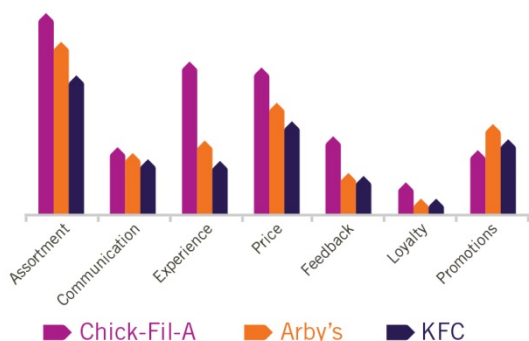
In order to provide a customer-centric assortment, retailers must understand what customers want and deliver on that promise. Traditional assortment decisions are focused more on ensuring that you offer something for everyone. However, trying to meet all customer needs is not necessarily customer centric, especially if not done properly.

In addition to great food, customers highlighted unique fast food experiences – fresh flowers on the tables, store employees who double as “servers” and are available for assistance and refills and a communication program that reaches out to their best customers with offers. Chick-Fil-A is building a strong customer-centric experience amongst their current customers.

Fast Food Category Leaders

RANK	RESTAURANT
1	Chick-Fil-A
2	In N Out Burgers
3	Subway
4	Jimmy Johns
5	Arby's
6	Wendy's
7	Jack in the Box
8	Taco Bell
9	KFC
10	Dairy Queen
11	McDonalds
12	Burger King

Chick-Fil-A Across the 7 Pillars



“To provide a customer-centric assortment, retailers must understand what customers want and deliver on that promise.”



METHODOLOGY

The research for the dunnhumby Customer Centricity Index includes the opinions of more than 40,000 customers on over 400 companies across multiple industries. The analysis of the food service retailers compiled for this report includes over 100 retailers.

Customer data was collected via an online survey taken by consumers in the US. Panel participants matched the general demographic profile of the US population. Surveys were conducted over a nine-month period.

Respondents were classified as customers of a retailer based on trips occurring at the retailer in the past three months. Customers were asked to rate each retailer on over 40 customer centric attributes.

Retailer scores were based on a weighted average of the results that link the various factors of customer centricity to loyalty and the likelihood to recommend.

ADDITIONAL COMPANIES AVAILABLE

In addition to the companies included in this report, comprehensive data was collected on the following companies. There were a significant number of respondents for these companies, but the volume of responses did not meet our sample size requirements for this report.

A&W Restaurants
Au Bon Pain
Bakers Square
Blimpie
Bojangles
Bonefish Grill
Brio
Buca di Beppo
Buffalo Wild Wings
Capital Grille
Captain D's
Caribou Coffee
Carl's Jr
Checkers
China Express
Church's Fried Chicken
Cosi
Country Buffet
Culver's
Damon's Grill
Del Taco
Denny's
Einstein Bros. Bagels
El Pollo Loco

Flemings
Frisch's Big Boy
Hard Rock Café
Hardee's
Hooters
Jack in the Box
Jamba Juice
Jason's Deli
Joe's Crab Shack
Krispy Kreme
Krystal
Logan's Roadhouse
Long John Silver's
Maggiano's Little Italy
Mimi's Café
Moe's Southwest Grill
Mortons Steak House
Mrs. Fields
Noodles and Company
O'Charley's
Paradise Bakery and Café
Penn Station
PF Changs
Planet Hollywood

Pot Belly
Quiznos
Rally's
Red Robin
Roy's
Ruby Tuesday
Ruth Chris
Seattle's Best Coffee
Smoothie King
Sonic
St. Louis Bread Company
Steak N Shake
TGIFridays
The Coffee Bean & Tea Leaf
The Original Pancake House
Tim Horton's
Whataburger
Zaxby's



IMPROVE YOUR CUSTOMER CENTRICITY

How do retailers in food service, and in any category, increase loyalty and foster long-term growth?

The key is to focus strategies, operations and activities on the people who are ultimately responsible for a company's success – loyal customers. By understanding how customers rate performance against customer centricity pillars that are important to them, retailers can better understand how to get closer to their needs. It is about making the customer a key part of the decision-making process and ensuring that they have a seat at the table in every key business decision.

This is not accomplished by a strong rallying cry or a catchy slogan. To deliver on customer centricity, a company must understand its customers' behaviors and attitudes and have the internal processes in place to create a cultural change within the organization.

dunnhumby works with brands and retailers to align deep customer insights with their communications and operational processes. By identifying the gaps, a company can use customer data to drive sustainable results. Becoming customer centric means knowing and listening to your customers, and we are here to help you on that journey.

ABOUT DUNNHUMBY

dunnhumby is the world's leading customer science company. We analyze data and apply insights from more than 400 million customers across the globe to create better customer experiences and build loyalty. Our insights and strategic processes help clients to create a competitive advantage and enjoy sustainable growth. dunnhumbyUSA is a joint venture of The Kroger Company and the London-based dunnhumby. dunnhumby employs more than 2,000 employees in offices throughout Europe, Asia and the Americas, and serves a prestigious list of companies including The Kroger Co., Tesco, Coca-Cola, General Mills, Kimberly-Clark, Macy's, PepsiCo and Procter & Gamble. For more information, please visit us at www.dunnhumby.com.

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